

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Farmington Community Library	County Genesee
Fiscal Year End 6/30/06	Opinion Date 8/25/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

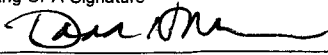
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350	
Street Address 111 E. Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 		Printed Name Tadd Harburn	License Number 1101014134

Annual Financial Report
Farmington Community Library
For the Year Ended June 30, 2006
with Independent Auditors' Report

**Farmington Community Library, Michigan
Annual Financial Report
For the Fiscal Year Ended June 30, 2006**

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**Farmington Community Library, Michigan
Annual Financial Report
For the Fiscal Year Ended June 30, 2006**

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Financial Section

Independent Auditors' Report

To the Board of Trustees of
Farmington Community Library:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library, Michigan (Library) as of June 30, 2006, and for the year then ended, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Farmington Community Library, Michigan at June 30, 2006, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 8, and 34 through 35 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. For the management's discussion and analysis, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Farmington Community Library's basic financial statements. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Plante & Moran, PLLC

August 25, 2006

Management's Discussion and Analysis

Farmington Community Library Management's Discussion and Analysis

This section of Farmington Community Library annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the Library's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No.34

Farmington Community Library has prepared this report in accordance with the Governmental Accounting Standards Board Statement No. 34 reporting requirement. Known as GASB 34, the new reporting requirement includes this letter, provides a comparative analysis between the current-year and prior-year financial information. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Library's total assets are \$17.4 million and net assets amounted to \$9.3 million.
- During the year, the Library's governmental revenues generated in taxes, City shared revenues, and other revenues were \$1,227,030 greater than expenses for Library operations.
- General fund revenues exceeded expenditures by \$1,006,078 plus \$726,430 in net other financing sources created a total fund balance of \$1,851,701 in the General Fund.

Overview of the Financial Statements

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Library:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Library's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Library government, reporting the Library's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services were financed in the short term as well as what remains for future spending.
 - * Unlike other governmental entities, the library has no activities requiring Proprietary fund statements.
 - * Fiduciary fund statements provide information about the financial relationships in which the Library acts as an agent that administers the fund for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements.

Table 1 summarizes the major features of the Library's financial statements, including the portion of the Library government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Farmington Community Library
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	<u>Government-wide</u>	<u>Governmental Funds</u>
Scope	Entire Library government (except fiduciary funds)	The activities of the Library that are not proprietary or fiduciary in nature
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net assets and how they have changed. Net assets – the difference between the Library's assets and liabilities – is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library you need to consider additional non-financial factors such as changes in the Library's property tax base.

The government-wide financial statements of the Library are classified into the following category:

- Governmental activities – The Library’s basic services are included here. Property taxes and state grants finance most of these activities.

Farmington Community Library’s Condensed Balance Sheet

	Governmental Activities 2006	Governmental Activities 2005
Current and other assets	\$ 2,600,975	\$ 1,530,034
Capital assets	<u>14,815,579</u>	<u>15,471,424</u>
Total assets	<u>\$17,416,554</u>	<u>\$17,001,458</u>
Current and other liabilities	\$ 305,114	\$ 232,487
Long-term liabilities	<u>7,766,103</u>	<u>8,650,664</u>
Total liabilities	<u>8,071,217</u>	<u>8,883,151</u>
Net assets:		
Invested in capital assets, net of related debt	7,200,579	6,971,424
Unrestricted	<u>2,144,758</u>	<u>1,146,883</u>
Total net assets	<u>9,345,337</u>	<u>8,118,307</u>
Total liabilities and net assets	<u>\$17,416,554</u>	<u>\$17,001,458</u>

It can be seen that total net assets for the Library increased \$1,227,030 during 2006. Most of the increase is due to operating revenues over expenditures during the year.

Governmental Statement of Activities

	Governmental Activities	Governmental Activities
	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 206,188	\$ 195,281
Operating grants and contributions	122,549	124,277
Capital grants and contributions	-	-
General revenues:		
Property taxes	7,120,618	2,529,964
Shared revenues- cities	190,508	3,229,241
Other	134,019	31,925
Total revenues	<u>7,773,882</u>	<u>6,110,688</u>
Expenses:		
General government	6,205,690	5,000,994
Interest on long term debt	341,162	372,033
Total expenses	<u>6,546,852</u>	<u>5,373,027</u>
Increase (decrease) net assets	1,227,030	737,661
Net assets - beginning of year	8,118,307	7,380,646
Net assets - end of year	<u>\$ 9,345,337</u>	<u>\$ 8,118,307</u>

Total revenues increased \$1,663,194 mainly as a result of an increase in property taxes. Operating expenses for the Library increased from \$5,373,027 to \$6,546,852 due to expanded services allowed by additional resources provided by the newly approved property tax millage.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's most significant funds – not the Library as a whole. Funds are accounting devices that the Library uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Library Board establishes other funds to control and manage money for particular purposes (like the Employee Benefit Fund) or to show that it is properly using certain taxes and grants.

The Library has two kinds of funds:

- Governmental funds – Most of the Library’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements.
- Fiduciary fund – The Library maintains a fiduciary fund for the Metro Net Agency Activities.

Financial Analysis of the Library as a Whole

Changes in Net Assets:

The Library’s combined net assets are \$9,345,337. In comparison, last year net assets were \$8,118,307, an increase of \$1,227,030. The increase was due primarily to general revenues exceeding operating expenses.

Governmental Activities:

The Library’s total governmental activity expenses were \$6,546,852. There were charges for services and operating grants received of \$206,188 and \$122,549, respectively. General revenues consisted of property taxes (\$7,120,618), shared revenues (\$190,508) and investments earnings (\$134,019). These activities resulted in an increase in net assets of \$1,227,030, for a 15% increase.

Financial Analysis of the Library’s Funds

As the Library completed the year, its governmental funds reported a combined fund balance of \$2,280,115. The fund balance is reserved for Endowment purposes in the amount of \$267,182, and is designated for capital improvements of \$139,089, and employee benefits of \$22,143, leaving undesignated fund balance of \$1,851,701.

General Fund Budgetary Highlights

Capital Assets

At the end of 2006, the Library had invested \$7,200,579 in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB).

Long-term Debt

At year-end the Library had \$7,615,000 in bonds and notes outstanding for governmental activities.

Budgets

Increases in proposed expenditures in the final budget in the amount of \$432,632 or 6% over the original budget were approved.

Economic Factors and Next Year's Budgets and Rates

- Property tax revenue will continue to be strong as the surrounding areas continue to see growth.
- Inflationary trends in the region compare favorably to national indices.
- Financial stability for operating monies, the primary goal of the Trustee's strategic plan, was accomplished at a May 2005 election, with voter approval of a dedicated operating millage of 1 mill for 20 years. These library summer taxes were levied and collected beginning July 1, 2005, replacing the quarterly appropriations from the cities of Farmington and Farmington Hills. This is in addition to the .6 mill (.5856 with Headlee reduction) the Library levies each December, until 2013.

As a result, in fiscal year 2005-2006 the Library was able to move forward with the objectives outlined in the Farmington Community Library Strategic Plan 2005-2008, as follows:

- Debt retirement of the \$13 million bond continues to be the first obligation of the library with priority payment.
- The fund balance was developed, as recommended by the auditor, to be at a minimum, 10% of operating funds to accommodate cash flow requirements, especially with the Library's financial independence from the cities.
- The Board established and contributed to a funding vehicle based on actuarial projections to offset the future liabilities related to fringe benefits to retirees, in compliance with GASB 34.
- The Board also designated funds for the Capital Reserve Fund to cover costs for future maintenance and replacement of buildings and equipment, including technology and automation.
- With the increased revenues the Library restored hours of operations and budgets for books and other materials; upgraded automation projects, including security and self-checkout stations, wireless Internet access; and completed numerous building improvements. The resulting fund balance was due, in part, to difficulties with the timing of bids and scheduling of work and orders to be completed within the fiscal year.

Budget preparation for 2006-2007 considered plans for a major upgrade to the integrated library circulation system including replacement of computers at both buildings. In addition, the Main Library requires paving the parking lots and replacing outdated electrical fixtures with more cost efficient units. The branch will require major structural repair and reconstruction of the east staff entrance area.

Requests for information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Library Director, 32737 West Twelve Mile Road, Farmington Hills, MI 48334-3302.

Basic Financial Statements

Government-wide Financial Statements

**Farmington Community Library
Statement of Net Assets
June 30, 2006**

	<u>Governmental Activities</u>
Assets	
Cash and equivalents	\$ 2,146,015
Investments	267,182
Accounts receivable	122,158
Prepaid items	49,874
Investment in joint venture	15,746
Capital assets (net of accumulated depreciation)	<u>14,815,579</u>
Total assets	<u><u>\$ 17,416,554</u></u>

(continued)

*Notes to the financial statements are
an integral part of this statement.*

**Farmington Community Library
Statement of Net Assets (continued)
June 30, 2006**

	<u>Governmental Activities</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ 221,676
Accrued liabilities	83,438
Noncurrent liabilities:	
Due within one year	930,000
Due in more than one year	<u>6,836,103</u>
Total liabilities	<u>8,071,217</u>
Net assets:	
Invested in capital assets, net of related debt	7,200,579
Unrestricted	<u>2,144,758</u>
Total net assets	<u>9,345,337</u>
Total liabilities and net assets	<u><u>\$ 17,416,554</u></u>

*Notes to the financial statements are
an integral part of this statement.*

**Farmington Community Library
Statement of Activities
For the Year Ended June 30, 2006**

Functions\Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities:			
General government-library operations	\$ 6,205,690	\$ 206,188	\$ 122,549
Interest on long-term debt	341,162	-	-
Total governmental activities	<u>\$ 6,546,852</u>	<u>\$ 206,188</u>	<u>\$ 122,549</u>
General revenues:			
Property taxes - special millage			
Shared revenues			
Unrestricted investment earnings			
Total general revenues			
Change in net assets			
Net assets - beginning, as restated (Note 1)			
Net assets - ending			

*Notes to the financial statements are
an integral part of this statement.*

**Net (Expense)
Revenue and
Changes in
Net Assets**

**Governmental
Activities**

\$	(5,876,953)
	(341,162)
	<hr/>
	(6,218,115)
	<hr/>

	7,120,618
	190,508
	134,019
	<hr/>

	7,445,145
	<hr/>

	1,227,030
	8,118,307
	<hr/>

\$	9,345,337
	<hr/> <hr/>

Fund Financial Statements

**Farmington Community Library
Balance Sheet
Governmental Funds
June 30, 2006**

	General	Millage Special Revenue	Endowment Permanent Fund
Assets			
Cash and cash equivalents	\$ 1,984,783	\$ -	\$ -
Investments	-	-	267,182
Accounts receivable	122,158	-	-
Prepaid expenses	49,874	-	-
Total assets	<u>\$ 2,156,815</u>	<u>\$ -</u>	<u>\$ 267,182</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 221,676	\$ -	\$ -
Accrued liabilities	81,438	-	-
Deferred revenue	2,000	-	-
Total liabilities	<u>305,114</u>	<u>-</u>	<u>-</u>
Fund balances:			
Reserved for other purposes	-	-	267,182
Unreserved reported in:			
Designated for capital improvements	-	-	-
Designated for employee benefits	-	-	-
Undesignated	1,851,701	-	-
Total fund balances	<u>1,851,701</u>	<u>-</u>	<u>267,182</u>
Total liabilities and fund balances	<u><u>\$ 2,156,815</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 267,182</u></u>

*Notes to the financial statements are
an integral part of this statement.*

Other Governmental Funds		Total
<hr/>		
\$	161,232	\$ 2,146,015
	-	267,182
	-	122,158
	-	49,874
<hr/>		
\$	161,232	\$ 2,585,229
<hr/>		
<hr/>		
\$	-	\$ 221,676
	-	81,438
	-	2,000
<hr/>		
	-	305,114
<hr/>		
	-	267,182
	139,089	139,089
	22,143	22,143
	-	1,851,701
<hr/>		
	161,232	2,280,115
<hr/>		
\$	161,232	\$ 2,585,229
<hr/>		

*Notes to the financial statements are
an integral part of this statement.*

**Farmington Community Library
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended June 30, 2006**

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 2,280,115
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,815,579
Investment in joint venture not included as an asset in the governmental funds	15,746
Long term liabilities, including long term notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(7,766,103)</u>
Net Assets - Governmental Activities	<u><u>\$ 9,345,337</u></u>

**Farmington Community Library
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006**

	General Fund	Millage Special Revenue	Endowment Permanent Fund
Revenues:			
Property taxes	\$ 7,120,618	\$ -	\$ -
Intergovernmental revenues:			
State of Michigan	190,508	-	-
Memorials and gifts	120,549	-	-
Investment income	118,134	-	13,440
Grants	2,000	-	-
Fines	123,196	-	-
Other	87,322	-	-
Total revenues	<u>7,762,327</u>	<u>-</u>	<u>13,440</u>
Expenditures:			
General government:			
Salaries	2,384,228	-	-
Fringe benefits	1,060,315	-	-
Professional services	114,994	-	-
Utilities	253,967	-	-
Automation	48,803	-	-
Insurance	85,855	-	-
Repairs and maintenance	232,355	-	-
Gift fund purchase	94,106	-	-
Grants	1,969	-	-
Improved collections	-	-	-
Interest expense	-	-	-
Other	301,704	-	-
Metro Net	37,983	-	-
Capital outlay:			
Capital improvements	-	-	-
Equipment and furniture	-	-	-
Books, periodicals, and library materials	913,808	-	-
Debt service:			
Principal and interest retirement	1,226,162	-	-
Total expenditures	<u>6,756,249</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,006,078</u>	<u>-</u>	<u>13,440</u>
Other financing sources (uses):			
Operating transfers in	843,930		-
Operating transfers out	(117,500)	(843,930)	-
Total other financing sources (uses)	<u>726,430</u>	<u>(843,930)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>1,732,508</u>	<u>(843,930)</u>	<u>13,440</u>
Fund balance - beginning of year	119,193	843,930	253,742
Fund balance - end of year	<u><u>\$ 1,851,701</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 267,182</u></u>

*Notes to the financial statements are
an integral part of this statement.*

Other Governmental Funds	Total
\$ -	\$ 7,120,618
-	190,508
-	120,549
2,445	134,019
-	2,000
-	123,196
-	87,322
2,445	7,778,212

-	2,384,228
18,770	1,079,085
-	114,994
-	253,967
-	48,803
-	85,855
-	232,355
-	94,106
-	1,969
-	-
-	-
-	301,704
-	37,983
-	-
-	-
-	913,808
-	1,226,162
18,770	6,775,019

(16,325)	1,003,193
----------	-----------

117,500	961,430
-	(961,430)
117,500	-

101,175	1,003,193
60,057	1,276,922
\$ 161,232	\$ 2,280,115

Notes to the financial statements are an integral part of this statement.

**Farmington Community Library
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 9)
are different because:

Net change in fund balances - total governmental funds (page 15)	\$ 1,003,193
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period	(655,845)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,330)
Investments in joint ventures not included in governmental funds	(988)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items	885,000
	<u>\$ 1,227,030</u>

**Farmington Community Library
Balance Sheet
Fiduciary Funds
June 30, 2006**

	<u>Metro Net Agency</u>
Assets	
Cash and cash equivalents	\$ 107,925
Accounts receivable	<u>106,527</u>
Total assets	<u><u>\$ 214,452</u></u>
Liabilities and Fund Balances	
Liabilities:	
Due to members	<u><u>\$ 214,452</u></u>

*Notes to the financial statements are
an integral part of this statement.*

Notes to Basic Financial Statements

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies

The accounting policies of the Farmington Community Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Farmington Community Library.

A. Reporting entity

The Farmington Community Library (the "Library") was established in 1956 and serves the Farmington communities through two libraries located in Farmington and Farmington Hills. The Library is governed by an eight-member Board of Trustees and an appointed Library Director. It provides resources for the informational, educational, cultural, and recreational needs of its patrons. The residents of both cities approved an independent tax millage in 2005 that allows the Library to no longer be dependent on subsidies from the Cities after the year ended June 30, 2005.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. There are no component units for the Library.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Library currently does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Library currently has no proprietary or enterprise funds.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Millage Fund (closed out during fiscal year 2006) was used to report the Library's initial tax levy that was earmarked for Library development and to pay the debt service.

The Endowment Permanent Fund receives donations restricted as to use. Generally, only the interest can be used for Library operations. The Fund was created in 1992 by Board resolution.

Additionally, the government reports the following fund types:

Special Revenue Funds - These funds are used to account for specific governmental revenues that are legally restricted to expenditure for particular purposes.

Fiduciary Fund – This fund, used to account for assets held in a trust or as an agent for others, includes the Metro Net Agency Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Library's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments:

Investments for the Library are stated at fair value based on quoted market prices. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

3. Receivables and payables

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

5. Capital assets – (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-39
Vehicles	5
Equipment and furniture	3-7

6. Employee vacation and sick leave

Library employees have a vested right to receive payment for unused vacation and sick leave under conditions specified in the personnel policy manual. All vacation and applicable sick leave is accrued when incurred at the government-wide. A liability for these amounts is reported in governmental funds only for employee terminations at year end.

7. Long-term obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Net Assets restatement

Net assets have been restated for governmental activities to correct prior year net capital assets to record the investment in books. Net assets was originally stated as \$7,535,425 at June 30, 2005 and has been restated as \$8,118,307.

10. Permanent endowment

Generally, only the interest in the endowment permanent fund for which restricted donations have been received can be used for Library projects as periodically determined by the Library Board. Currently, the entire net assets are shown as “restricted for other purposes.”

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies - (continued)

D. Assets, liabilities, and net assets or equity - (continued)

11. Property taxes

Property taxes attach as an enforceable lien on property as of December 31 each year. Library taxes, levied and immediately due July 1, are collected by the Cities of Farmington and Farmington Hills without penalty through September 15, and with penalty thereafter. Library property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are budgeted and available for the financing of operations.

The 2005 total taxable valuation for the Farmington and Farmington Hills communities totaled \$4.489 billion (a portion of which is abated and a portion of which is captured by the DDA and TIFA), on which taxes levied consisted of 1.5856 mills for operating purposes. One mill expires in the year 2024 while .5856 mills expire in 2013. The amounts levied resulted in \$7,157,380 which is recognized in the general fund.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Bonds and notes payable	\$7,615,000
Compensated absences	<u>151,103</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$7,766,103</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$ 293,549
Depreciation expense – net	<u>(949,394)</u>
Net adjustment to decrease <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u><u>\$(655,845)</u></u>

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

III. Stewardship, compliance, and accountability

A. Budgetary information

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- In March, the Library Director submits to the Board of Trustees, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Appropriations are made on an object (line-item) basis.
- The budget is legally enacted through passage of a resolution by the Board of Trustees.
- Formal budgetary integration is employed as a management control device during the year for the General Fund and individual Special Revenue Funds.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budget amounts included in the financial statements are as originally adopted or as amended by the Board during the year. The legal level of budgetary control adopted by the governing body is the line item level. Individual amendments were not material in relation to the original appropriations. Appropriations unused at June 30 are not carried forward to the following year.

IV. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan association that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Endowment Permanent Fund is also authorized by Michigan Public Act 157 of 1976 and the Endowment Fund Policy, as amended, to invest in:

- Cash
- bonds, bills or notes of the United States; obligations, the principal of and interest on which are fully guaranteed by the United States; obligations of the State of Michigan; or securities issued or guaranteed by agencies or instrumentalities of the United States Government.
- Commercial paper rate A₁/P_z, bankers acceptances, certificates of deposit and United States Governmental repurchase agreements.
- Mutual funds composed of stocks, bonds, debentures and other securities of profit or nonprofit corporations and those investment vehicles which are guaranteed by agencies or instrumentalities of the United States Government.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

The Library has designated four financial institutions for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all of the above mentioned investment vehicles. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$44,814 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Library's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Governmental security money market mutual funds	\$2,110,061	Counterparty
Stock mutual fund (endowment)	119,699	Counterparty's trust department

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Library's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity</u>
U.S. government or agency bond or note pool	\$ 38,920	Not available

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

IV. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

Concentration of credit risk:

The Library places no limit on the amount it may invest in any one issuer. None of the Library's investments are concentrated in any one issuer more than 5 percent.

B. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance (Restated)	Reclass- ifications	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Artwork	\$ 7,000	\$ 182,695	\$ -	\$ -	\$ 189,695
Land	138,052	-	-	-	138,052
Total capital assets, not being depreciated	145,052	182,695	-	-	327,747
Capital assets, being depreciated:					
Buildings and sites	16,630,375	-	-	-	16,630,375
Furniture and equipment	2,490,351	(182,695)	188,374	(99,975)	2,396,055
Books	1,278,669	-	105,175	-	1,383,844
Vehicles	57,294	-	-	-	57,294
Total capital assets being depreciated	20,456,689	(182,695)	293,549	(99,975)	20,467,568
Less accumulated depreciation	5,130,317	-	894,170	(44,751)	5,979,736
Total capital assets, being depreciated, net	15,326,372	(182,695)	(600,621)	(55,224)	14,487,832
Governmental activities capital assets, net	\$15,471,424	\$ -0-	\$(600,621)	\$ (55,224)	\$14,815,579

C. Interfund receivables, payables, and transfers

	Transfer In	
	Non-major Funds	General Fund
Transfer out:		
General Fund	\$117,500	\$ -
Millage Fund	-	843,930

Transfer between funds was primarily for operating purposes.

D. Long-term debt

The government issues bonds to provide funds for the acquisition and construction of major capital facilities.

The tax levy is used to liquidate the long-term debt. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

IV. Detailed notes on all funds – (continued)

D. Long-term debt – (continued)

Long-term liability activity for the year ended June 30, 2006 can be summarized as follows:

	<u>General Obligation Bonds</u>	<u>Accumulated Annual and Sick Pay</u>	<u>Total</u>
Governmental activities:			
Debt at July 1, 2005	\$8,500,000	\$150,664	\$8,650,664
Principal payments made	(885,000)	-	(885,000)
Net change – sick pay	-	439	439
Total governmental activities long-term debt	<u>\$7,615,000</u>	<u>\$151,103</u>	<u>\$7,766,103</u>

	<u>Final Payment Due</u>	<u>Interest Rate or Range</u>	<u>Original Amount of Issue</u>	<u>Balance at June 30, 2005</u>	<u>Issuances (Retirements) During Year</u>
Governmental activities:					
1998 Library Building and Site Bonds	2013	3.5-4.4%	\$12,000,000	\$7,600,000	\$(795,000)
2003 Library Building and Site Bonds	2013	1.5-3.1	1,050,000	900,000	(90,000)
Accrued annual and sick pay				150,664	439
Total governmental activities				<u>\$8,650,664</u>	<u>\$(884,561)</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 930,000	\$ 308,012
2008	980,000	272,714
2009	1,030,000	235,308
2010	1,085,000	194,916
2011	1,140,000	151,072
2012-2013	<u>2,450,000</u>	<u>158,144</u>
Total	<u>\$7,615,000</u>	<u>\$1,320,166</u>

Balance at June 30, <u>2006</u>	Due Within One <u>Year</u>
\$6,805,000	\$835,000
810,000	95,000
151,103	-
<hr/>	<hr/>
<u>\$7,766,103</u>	<u>\$930,000</u>

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

V. Other information

A. Retirement plans

The Library has two retirement plans in existence. One is a defined benefit plan and the other is a defined contribution plan. Each are described in the following note.

1. Defined benefit plan:

The Farmington Community Library participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by Michigan Employees Retirement System (an independent not-for-profit organization). The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The plan is included in the annual report of MERS which can be obtained from the offices of MERS in Lansing Michigan. The Library has no fiduciary responsibility for the plan.

All regular employees of the Library hired before July 15, 1999 and working 80 hours or more per month are eligible to participate in the plan. As of December 31, 2005, the Library had 22 covered employees, 2 inactive vested members, and 20 retirees and beneficiaries. Total and covered payrolls for the year ended June 30, 2006, were \$996,425 and \$988,763, respectively.

The plan provides for vesting of benefits after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service. The plan also provides for early retirement at age 55 with 25 or more years of service. Election of early retirement is subject to reduction of benefits as outlined below.

Participants are entitled to a retirement benefit equal to the credited service at the time of membership termination multiplied by 2.0%, of the member's final average compensation (F.A.C.). The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

Defined benefit contributions:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Employees are required to contribute five percent of salary to the plan. The Library makes employer contributions in accordance with funding requirements determined by MERS' actuary. Benefit provisions and contribution obligations have been established by the contract.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

V. Other information – (continued)

A. Retirement plans – (continued)

1. Defined benefit plan: - (continued)

Actuarial assumptions:

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

	<u>Library</u>
Actuarial valuation date	December 31, 2005
Actuarial cost method	Entry age – Normal
Amortization method	Level percentage of payroll
Remaining amortization period (weighted)	23/10 years depending on group
Asset valuation method	(1)
Actuarial assumptions:	
Investment rate of return	8.0
Projected salary increase	(2)

(1) 10 year smoothed market

(2) 4.5% wage inflation plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases. The range of the percentages are from 12.9% for a 20 year-old participant to 4.5% for a 60 year-old participant.

Retirement plan - defined benefit - Michigan Municipal Employee Retirement System:

Annual pension cost

The Library's Annual Required Contribution (ARC) and Annual Pension Cost (APC) for the year ended June 30, 2006 was \$96,324. All employer contributions made were equal to required contributions by MERS. There was no accumulated Net Pension Obligation (NPO) at June 30, 2006. The Annual Pension Cost (APC), percentage of APC contributed, and Net Pension Obligation (NPO) for the year ended June 30, 2006, 2005, and 2004 are summarized as follows:

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	12/31/03	\$ 63,117	100.0	\$ -
6/30/05	12/31/04	99,049	100.0	-
6/30/06	12/31/05	96,324	100.0	-

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

V. Other information – (continued)

A. Retirement plans – (continued)

1. Defined benefit plan: - (continued)

Pension Plan
Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial	Actuarial			Unfunded	Annual	UAAL
Valuation	Value of	Actuarial	Percent	(Funding Excess)	Covered	as % of
Date	Plan	Accrued	Funded	AAL	(Valuation)	Covered
<u>12/31</u>	<u>Assets</u>	<u>Liability</u>	<u>(1)/(2)</u>	<u>(1)-(2)</u>	<u>Payroll</u>	<u>(4)/(5)</u>
2005	\$6,005,747	\$6,221,099	96.5%	\$ 215,352	\$ 988,763	22.0%
2004	5,745,179	5,823,615	98.7	78,436	959,072	8.0
2003	5,363,814	5,542,202	97.0	178,388	1,133,183	16.0
2002	4,998,826	5,328,712	94.0	329,886	1,159,074	28.0
2001	4,831,694	4,835,241	99.9	3,547	1,103,778	0.0
2000	4,501,512	4,458,454	101.0	(43,058)	1,074,740	0.0
1999	4,381,726	4,508,953	97.0	127,227	1,501,252	8.0
1998	3,790,967	4,003,818	95.0	212,851	1,423,312	15.0

2. Defined contribution plan:

During the year ended June 30, 2000, the Farmington Community Library began a defined contribution pension plan. All regular employees of the Library hired after July 15, 1999, and working 80 hours or more per month are eligible to participate in the plan. Employees hired before July 15, 1999 had a one-time option to remain with the MERS Defined Benefit Pension Plan, or to transfer their retirement accruals to the Defined Contribution Plan. The transfer occurred on March 29, 2000.

Defined contribution plan contributions:

The plan provides that the Library will contribute 5% of eligible employee's gross wages to the plan, and employees may contribute after-tax wages to the plan. The contributions are self-directed by the employees among several investment options. Contributions are fully vested at the time of the contribution. Employees may withdraw pension accruals upon termination from the Library. For the year ended June 30, 2006, employer contributions to the plan were \$49,236, and employee contributions to the plan were \$758.

3. Other Postemployment Benefits

The Library has elected to provide postemployment health benefits to certain retirees which were full-time employees. The Library pays a certain percentage of premium costs of coverage for these benefits. Currently, 7 retirees are eligible for postemployment health benefits. There were approximately \$68,000 in payments for postemployment health benefit premiums made during the year. The government obtains health care coverage through private insurers.

Farmington Community Library, Michigan
Notes to Basic Financial Statements
June 30, 2006

V. Other information – (continued)

B. Risk management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Library has purchased commercial insurance coverage for all claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Library maintains a self-insured plan for dental, optical, and hearing impairment medical claims. The Library reimburses each employee for 75% of claims up to a maximum of \$1,200 out of pocket expense less \$25 deductible per year. Total claims expense for the year ended June 30, 2006 amounted to \$18,770. Liability for unpaid claims was immaterial at June 30, 2006.

C. Joint venture – Metro Net

The Metro Net Library Consortium (the "Consortium" or "Metro Net") is a Michigan nonprofit corporation incorporated in January 1994, whose members are eight public libraries: Baldwin (Birmingham), Bloomfield Township, Canton, Farmington Community, Independence Township, Rochester Hills, Southfield, and West Bloomfield Township. The Consortium was founded to promote resource sharing by creating a flexible environment conducive to experimentation, technology innovations and progressive approaches to library service. For a fee, other libraries may join the Consortium as subscribers to the Metro Net services.

The Farmington Community Library is the principal office of Metro Net, with the Farmington Community Library director serving as the Consortium's fiscal agent and on the Consortium's Board of Directors. The financial activities of Metro Net are reported in the Fiduciary Agency Fund.

Total Metro Net assets held by the Library as fiscal agent at June 30, 2006 amounted to \$214,452. The Library's share of the net assets was \$15,746. Internal statements for the Metro Net are on file at the Library's main office.

Required Supplementary Information

**Farmington Community Library
General Fund
Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2006**

	Budgeted			Variance With Final Budget- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Property taxes	\$ 7,157,380	\$ 7,157,380	\$ 7,120,618	\$ (36,762)
Intergovernmental revenues:				
State of Michigan	208,000	190,254	190,508	254
Memorials and gifts	58,000	58,000	120,549	62,549
Interest and dividends	10,200	10,200	118,134	107,934
Grants	3,000	3,000	2,000	(1,000)
Fines	123,000	120,000	123,196	3,196
Other	83,500	60,171	87,322	27,151
Total revenues	7,643,080	7,599,005	7,762,327	163,322
Expenditures:				
General government:				
Salaries	2,469,537	2,469,537	2,384,228	85,309
Fringe benefits	840,375	1,068,670	1,060,315	8,355
Professional services	140,000	140,000	114,994	25,006
Utilities	235,000	270,000	253,967	16,033
Automation	49,400	49,400	48,803	597
Insurance	85,000	85,855	85,855	-
Repairs and maintenance	235,000	235,000	232,355	2,645
Gift fund purchase	58,000	94,106	94,106	-
Grants	3,000	3,000	1,969	1,031
Other	303,400	355,400	301,704	53,696
Metro Net	40,000	40,000	37,983	2,017
Capital outlay:				
Books, periodicals, and library materials	1,265,900	1,300,700	913,808	386,892
Debt service:				
Principal and interest retirement	1,211,883	1,226,162	1,226,162	-
Total expenditures	6,936,495	7,337,830	6,756,249	581,581
Excess (deficiency) of revenues over expenditures	706,585	261,175	1,006,078	744,903
Other financing sources (uses):				
Transfers in	-	-	843,930	843,930
Transfers out	(17,500)	(17,500)	(117,500)	(100,000)
Total other financing sources (uses)	(17,500)	(17,500)	726,430	743,930
Excess (deficiency) of revenues and other sources over expenditures and other uses	689,085	243,675	1,732,508	1,488,833
Fund balance - beginning of year	119,193	119,193	119,193	-
Fund balance - end of year	\$ 808,278	\$ 362,868	\$ 1,851,701	\$ 1,488,833

Combining Fund Statements and Fund Descriptions

Other Supplemental Information

Farmington Community Library, Michigan
Non-Major Governmental Funds
Summary Descriptions
June 30, 2005

Special Revenue Funds

Employee Benefit Fund - This fund accounts for employee benefits financed by the General Fund.

Capital Reserve Fund - This fund accounts for monies specifically restricted for the purchase of certain property and equipment, accounted for as expenditures of the General Fund.

**Farmington Community Library
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2006**

	Special Revenue		
	Employee Benefit Fund	Capital Reserve Fund	Total
Assets			
Cash and cash equivalents	\$ 22,143	\$ 139,089	\$ 161,232
Total assets	<u>\$ 22,143</u>	<u>\$ 139,089</u>	<u>\$ 161,232</u>
Fund Balances			
Unreserved:			
Designated for capital improvements	\$ -	\$ 139,089	\$ 139,089
Designated for employee benefits	22,143	-	22,143
Total fund balances	<u>\$ 22,143</u>	<u>\$ 139,089</u>	<u>\$ 161,232</u>

Farmington Community Library
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue		
	Employee Benefit Fund	Capital Reserve Fund	Total
Revenues:			
Interest	\$ 808	\$ 1,637	\$ 2,445
Total revenues	808	1,637	2,445
Expenditures:			
General government:			
Fringe benefits	18,770	-	18,770
Total expenditures	18,770	-	18,770
Excess (deficiency) of revenues over expenditures	(17,962)	1,637	(16,325)
Other financing sources:			
Operating transfers in	17,500	100,000	117,500
Total other financing uses	17,500	100,000	117,500
Excess (deficiency) of revenues and other sources over expenditures and other uses	(462)	101,637	101,175
Fund balances - beginning of year	22,605	37,452	60,057
Fund balances - end of year	\$ 22,143	\$ 139,089	\$ 161,232

**Farmington Community Library
Special Revenue Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual
For the Year Ended June 30, 2006**

	Employee Benefit Fund			
	Budgeted		Actual	Variance- Favorable (Unfavorable)
	Original	Final		
Revenues:				
Interest	\$ 235	\$ 235	\$ 808	\$ 573
Total revenues	235	235	808	573
Expenditures:				
General government:				
Fringe benefits	17,500	17,500	18,770	(1,270)
Total expenditures	17,500	17,500	18,770	(1,270)
Excess (deficiency) of revenues over expenditures	(17,265)	(17,265)	(17,962)	(697)
Other financing sources (uses):				
Operating transfers in	17,500	-	17,500	17,500
Operating transfers out	-	-	-	-
Transfer from component unit	-	-	-	-
Total other sources (uses)	17,500	-	17,500	17,500
Excess (deficiency) of revenue and other sources over expenditures	235	(17,265)	(462)	16,803
Fund balance - beginning of year	22,605	22,605	22,605	-
Fund balance - end of year	\$ 22,840	\$ 5,340	\$ 22,143	\$ 16,803

Capital Reserve Fund				T o t a l s		
Budgeted		Actual	Variance- Favorable (Unfavorable)	Final Budget	Actual	Variance- Favorable (Unfavorable)
Original	Final					
\$ -	\$ -	\$ 1,637	\$ 1,637	\$ 235	\$ 2,445	\$ 2,210
-	-	1,637	1,637	235	2,445	2,210
-	-	-	-	17,500	18,770	(1,270)
-	-	-	-	17,500	18,770	(1,270)
-	-	1,637	1,637	(17,265)	(16,325)	940
-	-	100,000	100,000	-	117,500	117,500
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	100,000	100,000	-	117,500	117,500
-	-	101,637	101,637	(17,265)	101,175	118,440
37,452	37,452	37,452	-	60,057	60,057	-
\$ 37,452	\$ 37,452	\$ 139,089	\$ 101,637	\$ 42,792	\$ 161,232	\$ 118,440